Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	
)	
Petitions for LATA Association Changes)	CC Docket No. 96-158
by Independent Telephone Companies)	
)	File Nos. NSD-LM(A)-97-27
)	NSD-LM(A)-97-28
)	

MEMORANDUM OPINION AND ORDER

Adopted: July 23, 1997 Released: August 6, 1997

By the Commission:

I. INTRODUCTION

1. Two independent telephone companies (ITCs or Petitioners) have filed petitions with the Commission requesting a change in the local access and transport area (LATA)¹ association of certain of their exchanges.² When the LATAs were created, most independent exchanges were classified as "associated" with a particular LATA and BOCs were only allowed to provide service within a LATA and the associated exchanges.³ The ITCs state that their exchanges are currently associated with the Amarillo LATA, but that as part of an effort to upgrade service, they plan to route traffic for these exchanges through a BOC switch in the Lubbock LATA. They state that

¹ LATAs define the geographic areas within which a Bell Operating Company (BOC) may provide service. A LATA is defined as "a contiguous geographic area (A) established before the date of enactment of the Telecommunications Act of 1996 by a Bell operating company such that no exchange area includes points within more than 1 metropolitan statistical area, consolidated metropolitan statistical area, or State, except as expressly permitted under the AT&T Consent Decree; or (B) established or modified by a Bell operating company after such date of enactment and approved by the Commission." Section 3(25) of the Communications Act of 1934, as amended (the Act), 47 U.S.C. § 153(25).

² On May 16, 1996, Mid-Plains Rural Telephone Cooperative, Inc. (Mid-Plains) filed a petition requesting a change in the LATA association of the Silverton, Texas exchange from the Amarillo, Texas LATA (Amarillo LATA) to the Lubbock, Texas LATA (Lubbock LATA). This request has been assigned File No. NSD-LM(A)-97-27. On May 17, 1996, the Cap Rock Telephone Cooperative, Inc. (Cap Rock) filed a petition requesting a change in the LATA association of the Turkey and the Quitaque, Texas exchanges from the Amarillo LATA to the Lubbock LATA. This request has been assigned File No. NSD-LM(A)-97-28.

³ See United States v. Western Electric Co., Inc., 569 F. Supp. 1057, 1110-13 (D.D.C. 1983) (hereinafter Western Electric I).

in order for the BOC to carry this traffic, a change in LATA association is required.⁴ Southwestern Bell Telephone Company (SWBT) filed a statement supporting the ITC petitions and requesting a modification of the Lubbock LATA, pursuant to Section 3(25) of the Act, to permit this change in association.⁵

2. For the reasons discussed below, we grant Petitioners' requests for a change in LATA association. In addition, we modify the Lubbock LATA to permit this change. Finally, we provide guidelines for future LATA association requests.⁶

II. BACKGROUND

A. LATA Associations Under the Consent Decree

3. On August 24, 1982, the United States District Court for the District of Columbia (Court) entered an order (Consent Decree) that required AT&T to divest its ownership of the Bell Operating Companies (BOCs).⁷ The Court divided all Bell territory in the continental United States into geographic areas called LATAs.⁸ Under the Consent Decree, the BOCs were permitted to provide telephone service within a LATA (intraLATA service), but were not permitted to carry traffic across LATA boundaries (interLATA service).⁹ InterLATA traffic was to be carried by interexchange carriers.¹⁰

⁴ The petitions were placed on public notice. <u>See</u> Public Notice, "Commission Seeks Comment on Petitions for Association Changes by Independent Telephone Companies," DA 96-1189 (released July 26, 1996). Comments supporting the petitions were filed by Cap Rock, Mid-Plains and the National Telephone Cooperative Association (NTCA). No oppositions were filed.

⁵ 47 U.S.C. § 153(25).

The Commission has also received 24 requests for LATA relief in order to provide expanded local calling service (ELCS). These requests are addressed in a separate order. See Petitions for Limited Modification of LATA Boundaries to Provide Expanded Local Calling Service (ELCS) at Various Locations, Memorandum Opinion and Order, CC Docket No. 96-159, FCC 97-244 (rel. Jul. 15, 1997) (ELCS Order). ELCS (also known as extended area service or EAS) allows local telephone service rates to apply to nearby telephone exchanges, thus providing an expanded local calling area. See United States v. Western Electric, 569 F. Supp. 990, 1002 n.54 (D.D.C. 1983) (hereinafter Western Electric II).

⁷ United States v. American Telephone and Telegraph Co., 552 F. Supp. 131 (D.D.C. 1982), aff'd sub nom. Maryland v. United States, 460 U.S. 1001 (1983).

⁸ See Western Electric II, 569 F. Supp. at 993, 994.

⁹ <u>Id.</u> at 994.

¹⁰ Id.

- 4. The LATAs did not cover territory served by independent telephone companies (ITCs). The Court, however, noted that there were often joint operating arrangements between independent exchanges and neighboring BOC facilities. For example, BOCs often switched traffic between their end offices and the end offices of the independents, which then carried the traffic to its final destination. If all of this traffic were considered interLATA, BOCs could not participate in these arrangements and significant and costly network rearrangements would have been necessary. To prevent the need for such rearrangements, the Court classified most independent exchanges as "associated" with a particular BOC LATA. Traffic between a BOC LATA and an associated exchange was treated as intraLATA, and thus could be carried by the BOC, while traffic between a BOC LATA and an unassociated exchange was treated as interLATA, and thus could not be carried by the BOC. The ITCs, themselves, were not subject to the restrictions imposed by the Consent Decree, and could carry traffic regardless of whether that traffic crossed LATA boundaries.
- 5. The Court subsequently received more than a hundred additional requests involving LATA associations, including requests for new associations, disassociations, and changes in association from one LATA to another.¹⁶ The Court developed a streamlined process for answering such requests both because of the large number of requests involved and because most of the requests were non-controversial.¹⁷ Under this process, the ITC would submit its request to the Department of Justice (DOJ). DOJ would review the request and then submit the request to the Court along with DOJ's recommendation.¹⁸ The requests were typically filed because an ITC planned to upgrade its network in a manner that would require routing traffic through a BOC

See, e.g., id. at 993 & n.8, 1008 n.85, 1010-11. Although, when the LATAs were created, the BOCs served 80 percent of all telephone subscribers in the continental United States, the ITCs served a much larger geographic area. Id. at 993 n.8. Of the approximately 18,000 local exchanges at that time, approximately 7,000 were served by the BOCs and 11,000 by the ITCs. Id.; Western Electric I, 569 F. Supp. at 1110 n.232. There were approximately 1425 ITCs providing such service. Id.

¹² Id. at 1110.

¹³ <u>Id.</u> at 1110-13 & n.234. The vast majority of independent exchanges were associated with a LATA. Of the 11,000 independent exchanges, only 940 were classified as "not associated" with any BOC LATA. <u>Id.</u> at 1113 n.240.

¹⁴ Id. at 1110-13 & n.234; Western Electric II, 569 F. Supp. at 1008-09.

Western Electric II, 569 F. Supp. at 1008, 1010; Western Electric I, 569 F. Supp. at 1113. See also United States v. Western Electric, 578 F. Supp. 662, 667 (Court has always sought to minimize effects of divestiture on the ITCs).

¹⁶ See, e.g., United States v. Western Electric, No. 82-0192, slip op. (D.D.C. Feb. 6, 1984) (hereinafter Feb. 1984 Order).

¹⁷ Id. at 27; United States v. Western Electric, No. 82-0192, slip op. (D.D.C. March 15, 1984) (hereinafter March 1984 Order).

¹⁸ See March 1984 Order at 2.

switch in a different LATA. The Court generally granted these requests if the changes in associations would avoid the need for expensive network reconfiguration and would not endanger competition.¹⁹ In granting requests for a change in LATA association, the Court also allowed the continuation of existing ELCS routes between the independent exchange and the original LATA.²⁰

B. LATA Associations under the Telecommunications Act of 1996

6. On February 8, 1996, the Telecommunications Act of 1996 (1996 Act) became law, amending the Communications Act of 1934 (Act).²¹ Pursuant to the 1996 Act, matters previously subject to the Consent Decree are now governed by the Act.²² Section 271(b)(1) of the Act prohibits a BOC from providing "interLATA services originating in any of its 'in-region' States"²³ until the BOC takes certain steps to open its own market to competition and the Commission approves the BOC's application to provide such service.²⁴ "InterLATA service" is defined as "telecommunications between a point located in a local access and transport area and a point located outside such area," and thus would include traffic between an independent exchange and a BOC LATA.²⁵ The Act does not specifically address LATA associations. Section 271(f), however, states that BOCs are not prohibited from engaging in an activity to the extent that such activity was previously authorized by the Court.²⁶ Thus, BOCs may continue to provide service to independent exchanges that were classified as "associated" with a LATA by the Court. Finally,

¹⁹ See, e.g., Feb. 1984 Order at 2.

See, e.g., id. at 7 nn.11-12. See also supra note 6.

²¹ Pub. L. No. 104-104, 110 Stat. 56 (1996).

²² Section 601(a)(1) of the 1996 Act states that "[a]ny conduct or activity that was, before the date of enactment of this Act, subject to any restriction or obligation imposed by the AT&T Consent Decree shall, on and after such date, be subject to the restrictions and obligations imposed by the Communications Act of 1934 as amended by this Act and shall not be subject to the restrictions and obligations imposed by such Consent Decree." On April 11, 1996, the Court issued an order terminating the AT&T Consent Decree and dismissing all pending motions under the Consent Decree as moot, effective February 8, 1996. See United States v. Western Electric Company, Inc., No. 82-0192, 1996 WL 255904 (D.D.C. Apr. 11, 1996).

Section 271(i)(1) defines "in-region State" as a [s]tate in which a Bell operating company or any of its affiliates was authorized to provide wireline telephone exchange service pursuant to the reorganization plan approved under the Consent Decree, as in effect on the day before the date of enactment of the Telecommunications Act of 1996. 47 U.S.C. § 271(i)(1).

²⁴ 47 U.S.C. § 271(b)(1). In addition, while the Commission may forbear from applying certain provisions of the Act under certain circumstances, the Commission may not forbear from applying Section 271. <u>See</u> 47 U.S.C. § 160(a), (d).

²⁵ 47 U.S.C. § 153(21).

^{26 47} U.S.C. § 271(f).

Section 3(25)(B) of the Act provides that BOCs may modify LATA boundaries, if such modifications are approved by the Commission.²⁷

III. PLEADINGS

- 7. The petitions request a change in the association of Mid-Plains' Silverton exchange, and Cap Rock's Turkey and Quitaque exchanges, from the Amarillo LATA to the Lubbock LATA. Petitioners state that they recently purchased these exchanges from GTE Southwest, Inc. (GTE) and that these exchanges are currently served by a GTE access tandem. They further state that as part of an effort to upgrade service, Petitioners plan to re-route this traffic through their own switching facilities. Mid-Plains states that Silverton traffic is currently carried over copper facilities using a Lenkurt Analog Carrier System and that it plans to re-route this traffic, via a fiber optic cable, to its SS7-equipped switch at Kess, Texas.²⁸ This change will allow the provision of Touch Tone and CLASSTM features, including Caller ID, to Silverton subscribers.²⁹ Cap Rock states that the Turkey and Quitaque exchanges are currently served by "antiquated" analog switch facilities and that it plans to re-route this traffic, via fiber optic cable, to its CLASSTM 4/5 digital tandem switch at Spur, Texas.³⁰ This change will allow the provision of digital remotes, toll ticketing, and equal access to subscribers in the Turkey and Ouitaque exchanges.³¹ Petitioners emphasize that both the Kess and Spur switches will be routing traffic through a SWBT tandem switch that is located in the Lubbock LATA.³² Petitioners also state that there are approximately 430 subscribers in the Silverton exchange and 591 subscribers in Turkey and Ouitaque.³³
- 8. SWBT filed supplements to both the Mid-Plains and Cap Rock petitions. These supplements support the requests for a change in LATA association. SWBT also requests a

²⁷ 47 U.S.C. § 153(25)(B).

²⁸ Mid-Plains Petition at 2.

²⁹ Id.

³⁰ Cap Rock Petition at 2.

³¹ <u>Id.</u>

See Letter from Margaret Nyland, Attorney for Mid-Plains, to William F. Caton, Acting Secretary, Federal Communications Commission (May 13, 1997); Letter from Margaret Nyland, Attorney for Cap Rock, to William F. Caton, Acting Secretary, Federal Communications Commission (May 14, 1997). Petitioners also state that other circumstances support the change in LATA association for these exchanges. Mid-Plains states that the Silverton exchange is completely surrounded by its Bean exchange, which is associated with the Lubbock LATA. Cap Rock states that it already operates 14 other exchanges that are served by the Spur switch and that are associated with the Lubbock LATA. Finally, Petitioners state that there is a community of interest between these exchanges and the Lubbock LATA.

³³ Mid-Plains Petition at 2; Cap Rock Petition at 2.

modification of the Lubbock LATA boundary, pursuant to Section 3(25) of the Act, to permit this change in association.³⁴

IV. DISCUSSION

A. General Considerations

- 9. Section 3(25) of the Act defines LATAs as those areas established prior to enactment of the 1996 Act or established or modified by a BOC after such date of enactment and approved by the Commission. Section 271 of the Act prohibits a BOC from providing interLATA services until such time as certain enumerated conditions are satisfied. Because the Court allowed BOCs to carry traffic between a LATA and an "associated" independent exchange, BOCs may continue to carry such traffic pursuant to the grandfathering provisions of Section 271(f). In order for an ITC to route traffic through BOC facilities in an unassociated LATA, however, the statute appears to require a BOC either to modify the LATA so that the route no longer crosses a LATA boundary or to satisfy the requirements of Section 271.
- 10. Petitioners have an immediate need to reconfigure their networks in a manner that will involve routing traffic through a BOC LATA other than the one with which they are currently associated.³⁵ None of the BOCs, however, have yet met the Section 271 requirements and there is no time limit by which they must do so. Thus, requiring the BOC to meet the Section 271 requirements would not be the most expeditious way to ensure that the ITCs will be able to reconfigure their networks in a timely manner. Furthermore, the Section 271 requirements were intended to ensure that BOCs do not prematurely enter into the interexchange market. Given the small number of access lines in the independent exchanges here, and the fact that Petitioners will merely be switching their routing of traffic from one SWBT LATA to another, it is highly unlikely that allowing this modification would reduce the BOC's motivation to open its own market to competition. Thus, requiring the BOC to meet the Section 271 requirements before permitting such re-routing of traffic by the ITCs would not be necessary to further Congress's intent to guard against competitive abuses.
- 11. We conclude that LATA modifications to permit a change in LATA association would best achieve the desired goal of allowing ITCs to reconfigure their networks in the situation described above. We find that we have the authority to grant such changes pursuant

³⁴ SWBT's Supplement to Mid-Plains Petition, filed April 1, 1997; SWBT's Supplement to Cap Rock Petition, filed April 1, 1997.

³⁵ <u>See supra para.</u> 7 (describing the Mid-Plains and Cap Rock requests). In addition, we note that another LATA association change request is currently pending with the Commission and that additional LATA association requests may be filed. <u>See supra para.</u> 5 (more than a hundred LATA association requests filed with the Court).

to Sections 3(25) and 4(i) of the Act.³⁶ In addition, we note that the vast majority of independent exchanges are currently classified as "associated" with a LATA. LATA associations and provisions for changing these associations have been in place since the LATAs were first created. We find that, at least while the BOCs are still subject to restrictions on the provision of interLATA service, allowing the continuation of LATA "associations" and a procedure for changing these associations will help avoid confusion in the industry and simplify the network change process for ITCs. Finally, LATAs were only intended to restrict the activities of the BOCs, not the ITCs, and granting relief in this case will avoid any unnecessary limitations on the Petitioners' ability to upgrade their interconnected networks.³⁷

12. LATA modification to permit a change in association is both consistent with the statute and serves the public interest. Nothing in the statute or legislative history indicates that a LATA cannot be modified for this purpose. Furthermore, as explained above, changes in LATA "association" to permit precisely the type of ITC reconfigurations at issue here were regularly and routinely granted by the Court under the terms of the AT&T Consent Decree. Although Congress did not explicitly include corresponding authority when it amended the Communications Act, Congress did acknowledge the possible need for changes to the LATA boundaries in enacting Section 3(25). In addition, nothing in either the statute or the legislative history suggests a decision by Congress intentionally to eliminate the ability of an ITC to change the LATA association of an independent exchange when such a change is necessary to permit the latter to upgrade or reconfigure its network. Thus we conclude that a broad reading of the term "modify" in Section 3(25), to include modifications to permit a change in association, is consistent with the statutory scheme and congressional intent. Moreover, we will consider each future request for changes in association carefully, weighing the need for the modification against the potential harm from anticompetitive BOC activity.

B. Association Change Requests

13. We find that the public interest will be served by granting Petitioners' requests for a change in LATA association, along with a modification of the Lubbock LATA in order to permit this change. Mid-Plains and Cap Rock are small ITCs seeking to upgrade their networks in order to improve service to subscribers. Allowing Petitioners to route traffic through their own facilities at Kess and Spur, and then through the SWBT tandem in Lubbock, will allow them to improve service to their subscribers in an efficient manner. Furthermore, the LATA boundaries were only intended to restrict the activities of SWBT, not the ITCs, and granting relief here will

³⁶ Although the Act does not specifically address LATA associations, Section 4(i) states that the Commission may "perform any and all acts... and issue such orders, not inconsistent with this Act, as may be necessary in the execution of its functions." 47 U.S.C. § 154(i).

³⁷ See supra para. 4 & note 15.

³⁸ The Court granted more than a hundred LATA association requests. See supra para 5.

avoid any unnecessary limitations on Petitioners' ability to upgrade their own networks.³⁹ In addition, permitting SWBT to carry this traffic will not have any significant adverse effect on competition. This is true both because of the small number of subscribers in the independent exchanges involved, and because Petitioners are merely seeking to switch the LATA association of these exchanges from one SWBT LATA to another.⁴⁰

14. Accordingly, pursuant to Sections 3(25) and 4(i) of the Act, we change the association of the Silverton, Turkey, and Quitaque exchanges from the Amarillo LATA to the Lubbock LATA, and modify the Lubbock LATA to permit this change in association. Because the Silverton, Turkey, and Quitaque exchanges are now associated with the Lubbock LATA, SWBT may provide the same services to these exchanges through the Lubbock LATA as it was previously authorized to provide through the Amarillo LATA, and the provisions of the Act governing intraLATA service will apply to such services.⁴¹ The association between the Silverton, Turkey, and Quitaque exchanges and the Amarillo LATA is terminated, service between these exchanges and the Amarillo LATA will now be considered interLATA, and the provisions of the Act governing interLATA service will apply to such services.⁴²

V. FUTURE LATA ASSOCIATION REQUESTS

15. The Common Carrier Bureau has authority to act on petitions for changes in LATA association and connected modification of LATA boundaries, consistent with the principles established in this order, pursuant to the delegation of authority contained in Sections 0.91 and 0.291 of the Commission's rules.⁴³ We conclude that the following set of guidelines will assist the ITCs and BOCs in filing such petitions, and the Bureau in acting on these petitions.⁴⁴ First, we request that each petition be filed by the ITC pursuant to the application filing requirements set forth in Sections 1.742 and 1.743 of the Commission's rules.⁴⁵ Second, we ask that each individual LATA association request be the subject of a separate petition. Third, we request that

³⁹ See id.

⁴⁰ See ELCS Order (modifying LATA boundaries for the limited purpose of permitting BOCs to provide ELCS in specific areas).

SWBT can provide this service without meeting the requirements of Section 271 and a separate affiliate is not required. See 47 U.S.C. §§ 271(a), 272(a)(2)(B).

⁴² See 47 U.S.C. § 271. We note that there are no existing ELCS routes between the Silverton, Turkey, or Quitaque exchanges that need to be grandfathered. See supra para. 5.

⁴³ 47 C.F.R. §§ 0.91, 0.291.

⁴⁴ These guidelines have been approved by the Office of Management and Budget (OMB) under OMB control number 3060-0786. See Paperwork Reduction Act of 1995, Pub. L. No. 104-13.

⁴⁵ 47 C.F.R. §§ 1.742-43.

each petition be labeled "ITC Request for LATA Relief Between the [ITC exchange name(s)] and the [LATA name]." Finally, we request that each petition include the following information, under separately numbered and labeled categories, as indicated below:

- (1) Type of request (e.g., new association, disassociation, change of existing association);
- (2) <u>Exchange information</u> (provide name of the independent exchanges, LATAs and carriers involved; indicate the LATA, if any, with which the independent exchange is currently associated);
- (3) Number of access lines or customers (for each independent exchange);
- (4) Public interest statement (provide a detailed statement explaining why granting the association request would serve the public interest. Include a description of any planned network changes that will require routing ITC traffic through BOC facilities in a different LATA);
- (5) Map (showing the exchanges and LATA boundaries involved and including a scale showing distance);
- (6) <u>ELCS Routes</u> (if the request is for a disassociation or change in LATA association, indicate whether there are any local calling routes between the independent exchange and the LATA with which it is currently associated; if there are such routes, list each of them and indicate whether they should be grandfathered);
- (7) <u>BOC supplement</u> (attach a supplement to the petition from the BOC(s) serving the affected LATA(s) requesting a modification of the LATA boundary, pursuant to Section 3(25) of the Act, to permit the association change).

A carrier will be deemed to have made a <u>prima facie</u> case supporting grant of a proposed association change if the petition: (1) states that the association change is necessary because of planned upgrades to the ITC's network or service that will require routing traffic through a different BOC LATA; (2) involves a limited number of access lines;⁴⁶ and (3) includes a statement from the affected BOC(s) requesting a LATA modification, pursuant to Section 3(25) of the Act, to permit this change in association.

16. We request that any LATA association requests filed with the Commission, but not addressed in this order, be re-filed so that they comply with these guidelines. Each petition will be assigned a LATA modification (association) (LM(A)) file number and placed on public notice.

⁴⁶ See supra para. 7.

VI. CONCLUSION

17. For the reasons set forth above, we grant Petitioners' requests for a change in the LATA association of certain independent exchanges and modify the Lubbock LATA to permit this change. We also provide guidelines for future LATA association requests. These actions serve the public interest because they will allow ITCs to provide upgraded services to consumers in an efficient manner.

VII. ORDERING CLAUSES

- 18. Accordingly, IT IS ORDERED, pursuant to Sections 3(25) and 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 153(25), 154(i), that the requests of Mid-Plains Rural Telephone Cooperative, Inc. (Mid-Plains), File No. NSD-LM(A)-97-27, and Cap Rock Telephone Cooperative, Inc. (Cap Rock), File No. NSD-LM(A)-97-28, for LATA association changes ARE GRANTED.
- 19. IT IS FURTHER ORDERED, pursuant to Sections 3(25) and 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 153(25), 154(i), that the requests of Southwestern Bell Telephone Company (SWBT) for LATA modifications for the purpose of permitting these changes in association ARE APPROVED.
- 20. IT IS FURTHER ORDERED, pursuant to Sections 3(25) and 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 153(25), 154(i), that the association of the Silverton, Turkey, and Quitaque exchanges is changed from the Amarillo, Texas LATA to the Lubbock, Texas LATA. The Lubbock LATA is modified to permit these changes in association. The Silverton, Turkey, and Quitaque exchanges are now associated with the Lubbock LATA and SWBT may provide the same services to these exchanges through the Lubbock LATA as it was previously authorized to provide through the Amarillo LATA. The association between the Silverton, Turkey, and Quitaque exchanges and the Amarillo LATA is terminated and service between these exchanges and the Amarillo LATA will now be considered interLATA.
- 21. IT IS FURTHER ORDERED that pursuant to section 416(a) of the Act, 47 U.S.C. § 416(a), the Secretary SHALL SERVE a copy of this order upon the parties to this proceeding.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton William F. Caton Acting Secretary